

Message Text

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ACTION ARA-10

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TAGS: EAID, HA

SUBJECT: USE OF NON-FISCALIZED REGIE FUNDS FOR DEVELOPMENT
PURPOSES

REF: STATE 210896, PARA 2 (B)

1. SUMMARY - AS PART OF OUR CONTINUING EFFORTS TO PERSUADE THE GOH TO RATIONALIZE AND FISCALIZE REGIE RECEIPTS, ON OCTOBER 29, I DISCUSSED WITH PRESIDENT DUVALIER THE PROBLEM OF REGIE FEES FOR DISTRIBUTION OF FLOUR PRODUCED FROM PL-480 WHEAT. PRESIDENT POINTED OUT WORK ACCOMPLISHED BY REGIE FOR COUNTRY. HOWEVER, FOR FIRST TIME, HE APPEARED TO APPRECIATE NEED TO ASSURE AMERICAN TAXPAYER AND CONGRESS THAT ANY FEES OR TAXES ARISING FROM PROCESSING OR SALE OF COMMODITIES PROVIDED ON CONCESSIONAL TERMS BE USED FOR DEVELOPMENTAL PURPOSES AND EXPRESSED CONFIDENCE THAT A MUTUALLY SATISFACTORY ARRANGEMENT COULD BE ACHIEVED. END SUMMARY.

2. DURING MY OCTOBER 29 TALK WITH PRESIDENT DUVALIER, I RAISED THE MATTER OF THE APPLICATION OF THE REGIE TAX TO FLOUR MILLED FROM WHEAT PROVIDED UNDER PL-480 TITLE I. I REMINDED PRESIDENT THAT WE HAD DISCUSSED THIS POINT LAST FEBRUARY, WHEN FIRST PL-480 TITLE I LOAN WAS ON VERGE OF AUTHORIZATION, AND I SAID THAT IT WAS IMPORTANT TO REACH CLEAR AGREEMENT ON PROCEDURES NOW THAT TITLE I LOAN NEGOTIATIONS FOR FY 76 WERE ABOUT TO START. THE MOST PRACTICAL AND EFFECTIVE BOOKKEEPING ARRANGEMENT THUS LIMITED OFFICIAL USE

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FAR SUGGESTED WOULD BE TO EARMARK THOSE REGIE TAXES DERIVED

FROM TITLE I FLOUR SALES IN SPECIAL NATIONAL BANK ACCOUNT TO BE USED EXCLUSIVELY FOR ECONOMIC DEVELOPMENT. BOTH BNRH PRESIDENT MURAT AND HIS PREDECESSOR ANTONIO ANDRE (NOW MINISTER FOR COMMERCE AND INDUSTRY) HAD DISCUSSED THIS METHOD WITH ME, I ADDED, AND WERE PREPARED TO SEEK HIS ENDORSEMENT FOR IT, IF INDEED THEY HAD NOT ALREADY BROUGHT THE MATTER TO HIS ATTENTION.

3. DUVALIER'S INITIAL (PREDICTABLY DEFENSIVE) RESPONSE WAS TO ENUMERATE THE EXTENSIVE DEVELOPMENTAL, EDUCATIONAL AND CHARITABLE PROJECTS BEING FUNDED BY REGIE. NEITHER MADAME DUVALIER NOR HE SOUGHT PUBLICITY FOR THESE ENTERPRISES, HE SAID. WITH 1500 EMPLOYEES, HE NOTED, THE REGIE WAS SECOND IN PERSONNEL STRENGTH ONLY TO THE ARMED FORCES, AND THUS CONSTITUTED A MAJOR ADMINISTRATIVE COMPONENT.

4. I POINTED OUT THAT WHATEVER VALUABLE WORK THE REGIE MIGHT ACCOMPLISH, THE QUESTION NOW AT ISSUE WAS HOW TO ASSURE AMERICAN TAXPAYERS THAT ALL THE PROCEEDS FROM WHEAT SOLD TO HAITI AT CONCESSIONAL PRICES WOULD BE ALLOCATED TO DEVELOPMENTAL PURPOSES. GIVEN THE NON-FISCALIZED NATURE OF THE REGIE, AND THE PRESIDENT'S OWN DISINCLINATION TO HAVE ITS UNDERTAKINGS PUBLICIZED, AN EARMARKED ACCOUNT APPEARED TO BE THE MOST EFFECTIVE MEANS FOR PROVIDING SUCH ASSURANCE.

5. THE PRESIDENT THEN INDICATED CALMLY THAT HE COULD WELL APPRECIATE THIS POINT. HE SAID THAT HE SAW NO PROBLEM IN SUCH AN ARRANGEMENT AS I HAD DESCRIBED. HE EXPRESSED CONFIDENCE THAT A MUTUALLY SATISFACTORY ARRANGEMENT COULD BE DEvised BY THE RESPONSIBLE OFFICIALS.

6. COMMENT: DURING OCTOBER 30 CONVERSATION WITH ANDRE, I SUMMARIZED THIS CONVERSATION. ANDRE (WHO HAD EVIDENTLY NOT RAISED ISSUE WITH PRESIDENT BEFORE HIS RECENT SHIFT FROM BNRH TO COMMERCE) EXPRESSED GRATIFICATION OVER PRESIDENT'S REACTION AND CONFIDENCE THAT, ON BASIS OF THE PRESIDENT'S APPROVAL IN PRINCIPLE, HE, MURAT, AND FINANCE MINISTER BROS COULD DISCUSS THE ISSUE WITH OUR PL-480 TITLE I NEGOTIATORS AND DEVISE AN "ELEGANT" FORMULATION TO SET UP THE EARMARKED FUND. I WILL PROD BOTH MURAT AND BROS IN NEAR FUTURE.

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